

Message Text

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NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 SS-20 NSC-10 EB-11 OMB-01 IO-14 DRC-01 /139 W

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TO SECSTATE WASHDC 3668

SECDEF WASHDC

INFO JCS WASHDC

USCINCEUR VAIHINGEN GER

AMEMBASSY PARIS

NSE/NSSG BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 0320

E. O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJECT: REPORT OF JOINT CENTRAL EUROPE PIPELINE POLICY COMMITTEE/
CENTRAL EUROPE PIPELINE ORGANIZATION (CEPPC/CEPO) MEETING,
17-18 JAN 74

DEFENSE FOR OASD/I&L, MR. NOLAN AND COMPT, MR. UMBARGER; STATE FOR
EUR/RPM, MR. REHFELD; JCS FOR J-4 PETROLEUM; USCINCEUR FOR J-4 JPO;
AMEMB PARIS FOR MR. HUMPHREYS; NSE/NSSG FOR MR. MINER.

REF: A. USNATO 5579 B. USNATO 0246 C. USNATO A-187 D. USNATO 6264
E. STATE 003432 F. STATE 012581

BEGIN SUMMARY. JOINT CEPPC/CEPO MEETING CONSIDERED TWO MAJOR TOPICS:
1974 CEPS (CENTRAL EUROPE PIPELINE SYSTEM) BUDGET AND US BURDENSHRING
INITIATIVE. CENTRAL EUROPE OPERATING AGENCY (CEOA) PROVIDED INFORMA-
TION INDICATING THAT FRENCH AND NETHERLANDS HAVE RAISED CIVIL
TARIFFS ON SEVERAL LINES AND ARE WORKING TO OBTAIN SIMILAR INCREASES
(ABOUT
15 PERCENT) ON OTHERS. JOINT COMMITTEE REVIEWED AND NOTED BUDGET
WORKING GROUP REPORT BUT DID NOT APPROVE 1974 BUDGET DUE
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TO BELGIUM AND US NON-APPROVAL PENDING FRENCH AND GERMAN ACTION TO
REDUCE PERSONNEL TO CEPS CRITERIAL LEVELS. CEPPC DEVELOPED NEW
PROPOSALS IN LINE WITH BELGIAN BURDENSARING INITIATIVE OF PREVIOUS
WEEK (REF B), WHICH CONTAIN NEW COST-SHARING PERCENTAGES FOR CEPS

NATIONS FOR REDUCTIONS IN THE US COST SHARE. (PROPOSED US SHARE RANGES FROM 12 PERCENT TO 26 PERCENT.)END SUMMARY.

1. JOINT CEPPC/CEPO MEETING CONSIDERED THE TWO MAJOR TOPICS OF THE 1974 CEPS BUDGET AND THE US BURDENSARING PROPOSAL AS IT AFFECTS THE CEPPC. IN INTRODUCTORY REMARKS, CEOA GENERAL MANAGER ANNOUNCED THAT FRENCH AUTHORITIES HAVE CONCLUDED NEGOTIATIONS FOR CIVIL USE OF THE LAVERA-STRASBOURG LINE WHICH INCREASES TARIFF BY 13.5 PERCENT EFFECTIVE 1 JAN. ALSO NEGOTIATIONS ARE CONTINUING ON A LE HAVRE-VALENCIENNES CIVIL TARIF INCREASE ORIGINALLY NOT DUE FOR CONSIDERATION UNDER CURRENT CONTRACT UNTIL OCTOBER OF THIS YEAR. THE NETHERLANDS REPORTS A 12 PERCENT CIVIL TARIFF INCREASE ON ITS PERNIS-SKIPO LINE WITH INCREASES OF APPROXIMATELY 15 PERCENT BEING NETOTIATED ON OTHER NETHERLAND LINES. GENERAL MANAGER ESTIMATED THAT THESE INCREASES SHOULD PROVIDE ADDITIONAL REVENUE TO CEPS OF FF 16 MILLION WHICH WOULD REDUCE SYSTEM SHORTFALL FOR 1974 FROM EARLIER ESTIMATE OF FF 43.8 MILLION TO FF 27.8 MILLION. HOWEVER, THIS DOES NOT TAKE INTO ACCOUNT THE RECENT INCREASES OF OIL PRICES AND THEIR EFFECT ON THE PIPELINE REVENUES. NO ESTIMATE WAS GIVEN FOR THESE ADDITIONAL COSTS BUT OVER HALF OF ESTIMATED INCREASED REVENUE REPORTED ABOVE COULD BE OFFSET BY INCREASED EXPENSES AND DECREASED MOVEMENTS DUE TO THE RECENT OIL PRICE INCREASES.

2. CEPS 1974 BUDGET. JOINT COMMITTEE REVIEWED BUDGET WORKING GROUP REPORT IN DETAIL. THIS INCLUDED THE FOLLOWING MAJOR ITEMS:

A. ESTABLISHMENT (PERSONNEL): 1974 BUDGET IS FF 77.2 MILLION (1973-FF 67.9 MILLION).

B. TRAINING, TRAVEL, AND RECEPTION: 1974 BUDGET IS FF 2.2 MILLION (1973- FF 2.2 MILLION).

C. OPERATIONS AND MAINTENANCE: 1974 BUDGET IS FF 35.7 MILLION (1973- FF 33.1 MILLION).

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D. GENERAL AND TRANSPORTATION: 1974 BUDGET IS FF 13.4 MILLION. 1973-FF 12-3 MILLION).O

E. CAPITAL EXPENSES: 1974 BUDGET IS FF 3.3 MILLION (1973-FF 5.7 MILLION).

1974 OVERALL TOTAL IS FF 140.1 MILLION COMPARED WITH 1973 TOTAL OF FF 124.7 MILLION.

BUDGET WORKING GROUP ACTIONS RESULTED IN DELETIONS OF FF 670,000 FROM ABOVE TOTAL; BLOCKAGES OF FF 3.08 MILLION; AND DEFERRED ACTIONS ON FF 4.8 MILLION (PRINCIPALLY INCLUSION OF GERMAN TAXES).

3. COMMITTEE DID NOT APPROVE 1974 CEPS BUDGET BECAUSE OF BELGIAN

AND US NON-APPROVAL. BELGIAN REP (DUPONT). SUPPORTED BY US, NEEDED ASSURANCES THAT GERMAN AND FRENCH AUTHORITIES WERE TAKING STEPS TO REDUCE THEIR PERSONNEL ESTABLISHMENTS IN ACCORDANCE WITH CRITERIA DEVELOPED BY COMMITTEE SUB-GROUPS. COMMITTEE DID APPROVE EXTENSION OF CONTINUING RESOLUTION FOR ADDITIONAL MONTH ON RECOMMENDATION OF CEOA. LAST MONTH MEETING (REF C) AUTHORIZED CONTINUING AUTHORITY FOR THREE MONTHS. RECOMMENDATION: US FOLLOW BELGIAN LEAD IN NOT APPROVING 1974 CEPS BUDGET UNTIL FRG/FREANCE PERSONNEL PROBLEM IS RESOLVED. END RECOMMENDATION.

REQUEST: WASHINGTON CONCURRENCE BY 31 JAN.

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4. CEPS AND BURDENSARING. MR. STONE (NATO INTERNATIONAL STAFF) REPORTED ON RECENT COUNCIL DECISIONS REQUIRING COMMITTEE TO PROPOSE ADDITIONAL POSSIBILITIES FOR SHARING THE CEPS SHORTFALL COSTS RESULTING FROM A DECREASED US SHARE AND, IN PARTICULAR, TO CONSIDER THE NEW APPROACH BROUGHT FORWARD BY BELGIAN AMBASSADOR AT COUNCIL MEETING ON JANUARY 16 (REF B). BELGIAN (DUPONT) AND NETHERLANDS (HOFFMAN) BOTH MADE INTRODUCTORY REMARKS HELPFUL TO US BURDENSARING PROPOSAL. AS A RESULT, THE CEPPC WILL SUBMIT TO COUNCIL BY 31 JAN PROPOSAL FOR NEW COST-SHARING FORMULAE BY CEPS NATIONS WHICH RESULT IN US COST SHARES OF 12, 18, 22, AND 26 PERCENT OF CEPS SHORTFALL, IN PLACE OF PRESENT US SHARE OF 36.07 PER CENT. THE PROPOSALS DO NOT IMPLY AGREEMENT BY ANY OF THE COUNTRIES TO THE COST PERCENTAGES CONTAINED THEREIN. FRANCE, IN PARTICULAR, DID NOT PARTICIPATE IN DISCUSSION BUT ACTED IN OBSERVER STATUS UNDER INSTRUCTIONS FROM FRENCH AUTHORITIES.

COMMENT: GERMAN REPRESENTATIVE (PETERSEN) ASKED US REP (WITKO) IN PRIVATE CONVERSATION IF US IS CONSIDERING SERIOUSLY THE

RECENT SUGGESTION MADE IN COUNCIL (REF B) TO REDUCE GERMAN
OFFSET TOTAL BY AMOUNTS FRG MIGHT AGREE TO IN READJUSTING US
COST SHARE IN VARIOUS NATO COMMITTEES. QUERY PRESUMABLY OVERTAKEN
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BY PRESIDENT'S LETTER TO BRANDT (REF F). END COMMENT.

5. IN ACCORDANCE WITH REF D AND E, US REP (WITKO) INFORMED THE
JOINT COMMITTEE THAT THE US CANNOT SPONSOR THE PROPOSED JOINT
CEPPC/CEPO MEETING THIS SPRING IN US. THE US REGRETTED TAKING
SUCH ACTION BUT KNEW THAT OUR ALLIES WOULD UNDERSTAND IN VIEW OF
THE ENERGY CRISIS BOTH IN THE US AND IN WESTERN EUROPE. COMMITTEE
REQUESTED THAT ACTION BE RECONSIDERED WHEN CONDITIONS HAVE
IMPROVED.

6. DATE AND PLACE OF NEXT MEETING. JOINT MEETING, 14-15 FEB,
AT BRUSSELS.
RUMSFELD

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